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कर्मचारी भविष्य निधि संगठन
 (श्रम मंत्रालय, भारत सरकार)
Employees' Provident Fund Organisation
 (Ministry of Labour, Govt. Of India)

मुख्य कार्यालय / Head Office
 भविष्य निधि भवन, 14-भीकाजी कामा प्लेस, नई दिल्ली-110066
 Bhavishya Nidhi Bhawan, 14-Bhikaji Cama Place, New Delhi-110066

No. Coord/3(4) 2002/Clarification

Date:

To

All Regional PF Commissioners - 1,
 In-charge of the Regions.

5 MAR 2008

Sub:-PF Contribution on Leave Encashment – clarification

Sir,

The dispute before the Hon'ble Supreme Court of India in Appeal (Civil) No. 1832/2004 (Manipal Academy of Higher Education versus Provident Fund Commissioner) was whether the amount received by encashing the earned leave is a part of "basic wage" under section 2(b) of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 requiring pro rata employer's contribution.

Hon'ble Supreme Court of India has delivered the judgment on 12.3.2008 in the case and concluded that the basic wage was never intended to include amounts received for leave encashment. The appeal has been allowed by the Hon'ble Apex Court but it has also been decided that if any payment has already been made it can be adjusted for future liabilities and there shall not be any refund claim since the fund is running one.

In view of the Hon'ble Supreme Courts' judgment dated 12.3.2008 in Appeal (Civil) No. 1832/2004, this is to convey that it is decided (a) to discontinue PF deduction on leave encashment with immediate effect and (b) where PF contribution of the employers' share has been received in the offices of EPFO, the same shall be adjusted against future liabilities.

Yours faithfully

(K. C.J. P. Narayanan)
 Regional P. F. Commissioner-I (Coord)

Copy to:

- (1) All Zonal Addl. Central Provident Fund Commissioners
- (2) FA & CAO
- (3) All Addl. Central Provident Fund Commissioner's in HO
- (4) Addl. Central Provident Fund Commissioner (IS)
- (4) All officers in charge of Zonal Training Institutes
- (5) All Regional Provident Fund Commissioner (Head Quarters)
- (6) All Assistant P. F. Commissioner (Head Quarters)
- (7) All members of Central Squad, Head Quarters.
- (8) PS to Central Provident Fund Commissioner
- (9) Guard file.